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SUBJECT: CENTRAL BANK REVEALS RESERVES, REFORM PROGRESS, AND A NEW MONEY LAUNDERING LAW

REFTEL: CONAKRY 827

¶1. (SBU) SUMMARY. The Director General at the Central Bank revealed that currency reserves are down to about 12 days of imports. However, he expressed optimism that return to a funded IMF program would improve the exchange rate, which subsequently hit a new low since the January/February strike. He also reported that money laundering legislation was recently introduced in the National Assembly. END SUMMARY.

¶2. (SBU) On November 7, Econoff met with the Director General of Credit and Exchange for the Central Bank, Mr. Cheick Sylla. Mr. Sylla characterized the overall reform activities of the Central Bank of Guinea to be in a "wait and see" mode. He called it a "bit by bit" process. He defended the pace by stating that since the arrival of the new consensus government of Prime Minister Kouyate and the appointment of a new governor of the bank, the bank has put in place a reform working group committee. The committee submitted its recommendations to the Prime Minister for necessary reforms, but so far are still waiting to see if they will be implemented.

¶3. (SBU) The Director General revealed that the Central Bank recently submitted a bill to the National Assembly to formally criminalize money laundering. Mr. Sylla claims that Guinean rules and regulations have always condemned money laundering, but no one has been officially arrested for being involved in it. The Central Bank is concerned about possible money laundering through the construction of buildings in Conakry. Mr. Sylla said that people are constructing buildings and making large investments here without passing through any of the local financial institutions. Nevertheless, the Guinean authorities lack evidence, and legal basis, to charge them.

¶4. (SBU) Concerning the exchange rate policy, Mr. Sylla said the Central Bank was still working to strengthen the Guinea Franc. (NOTE: On November 13, the Guinea Franc/U.S. Dollar exchange rate hit a new post strike low, 4179 Gnf/dollar. END NOTE.) The Director General claimed that the Central Bank is no longer financing off-budget expenses and the budget deficit. He also claimed that a tax exemption abusively used by some businessmen is no longer valid, which provides the GOG with a new revenue stream. Mr. Sylla stated that if Guinea is able to get on a funded program with the IMF, the exchange rate would stabilize at around 4000 GNF/Dollar.

¶5. (SBU) Mr. Sylla confided that the Central Bank currently has reserves of approximately USD 59 million. That is about 12 days of imports, according to his figures. This is down from the 27 days of imports he claimed in a July meeting with Econoff(see reftel).

CARTER